

Message Text

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TO SECSTATE WASHDC 656

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E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: XCSS EXPERTS MEETING ON INTERNATIONAL INVESTMENT

REFS: A. CE(73)10

B. USOECD 21550

DEPT PASS TREASURY FOR KORP

1. SUMMARY. AT MEETING WITH MISSION OFFICERS ON SEPT 13, OECD SECRETARIAT REPS (ASST SEC GEN ABRAMOWSKI AND FINANCIAL AFFAIRS DIRECTOR BERTRAND) INDICATED INTENTION TO SCHEDULE EXPERTS MEETING OF XCSS TO DISCUSS INTERNATIONAL INVESTMENT QUESTIONS POSSIBLY AS EARLY AS OCT 18-19. THEY WILL ATTEMPT TO HAVE DISCUSSION PAPER READY FOR DISTRIBUTION TO NATIONAL CAPITALS AT LEAST TWO WEEKS BEFORE MEETING. ADDITIONAL QUESTIONS DISCUSSED INCLUDED COMPOSITION OF EXPERTS GROUP, DEVELOPMENT OF INVESTMENT POLICY GUIDELINES, AND METHODS OF IMPLEMENTING CONSULTATION PROCEDURES. END SUMMARY.

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2. XCSS EXPERTS GROUP.

A. SECRETARIAT PLANS FOR EXPERTS GROUP SEEMED HIGHLY TENTATIVE. AFTER SOME PRODDING, SECRETARIAT AGREED TO ATTEMPT TO COMPLETE ITS PAPER IN TIME TO DISTRIBUTE AT LEAST TWO WEEKS BEFORE A MEETING WHICH COULD POSSIBLY BE HELD AS EARLY AS OCTOBER 18-19. MOST LIKELY ALTERNATIVE WOULD BE TO HAVE EXPERTS MEET NOVEMBER 5-6, JUST PRIOR XCSS MEETING. SECRETARIAT ENVISAGES POSSIBILITY OF ADDITIONAL MEETINGS OF EXPERTS BEFORE FINAL PAPER PRESENTED FOR XCSS CONSIDERATION.

B. SECRETARIAT EMPHASIZED WORK ON ITS PAPER FOR EXPERTS GROUP STILL IN EMBRYO STAGES. DEPENDING ON PROGRESS THIS PAPER, SECRETARIAT HOPES TO ANNOUNCE PROPOSAL FOR EXPERTS GROUP SOMETIME NEXT WEEK. SECRETARIAT FEELS MEETING SHOULD BE OPEN TO ALL INTERESTED OECD COUNTRIES. HOWEVER, USE OF SPECIAL WORKING GROUPS OF A MORE RESTRICTIVE NATURE TO HANDLE CERTAIN KEY AREAS ALSO POSSIBILITY. SINCE RESPONSIBILITY FOR PAPER LIES WITH SEC GEN, THERE IS NO NECESSITY FOR THE EXPERTS TO ACHIEVE COMPLETE CONSENSUS. THUS, SEC GEN WOULD BE ABLE TO TERMINATE EXPERTS GROUP WHEN NO FURTHER PROGRESS IN THAT FORUM SEEMS LIKELY.

C. ABRAMOWSKI RAISED QUESTION AS TO WHETHER GROUP SHOULD INCLUDE ONLY GOVERNMENT EXPERTS OR WOULD BE OPEN ALSO TO EXPERTS APPOINTED BY GOVERNMENTS FROM OTHER SOURCES. TENTATIVE CONCLUSION WAS THAT IT WOULD BE PREFERABLE TO RESTRICT MEETING TO GOVERNMENT OFFICIALS WHO ARE CLOSE TO THE THINKING OF XCSS PRINCIPALS.

3. GUIDELINES. QUESTIONS CONCERNING GUIDELINES INCLUDED EXTENT TO WHICH THEY COULD BE DEVELOPED WITHOUT THOROUGH BACKGROUND STUDY OF NATIONAL INVESTMENT POLICIES, WHETHER GUIDELINES SHOULD BE FAIRLY FIRM OR RELATIVELY LOOSE, AND WHETHER THEY SHOULD FOLLOW THE EC EXAMPLE OF ESTABLISHING NUMERICAL TRIGGER POINTS FOR CONSULTATION ON SUCH THINGS AS SUBSIDIES. ABRAMOWSKI WAS OF OPINION THAT ONLY RELATIVELY LOOSE SET OF GUIDELINES OR GENERAL PRINCIPLES WOULD BE POSSIBLE AT THIS STAGE, AND THAT DEVELOPMENT OF THESE GUIDELINES SHOULD LIMITED OFFICIAL USE

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PROCEED AS RAPIDLY AS POSSIBLE. BERTRAND SUGGESTED THAT NOT MUCH PROGRESS POSSIBLE ON GETTING AGREEMENT ON INVESTMENT GUIDELINES UNTIL ALL RELATED AREAS HAD BEEN THOROUGHLY STUDIED SO THAT GOVERNMENTS COULD SEE IMPLICATIONS OF EACH AREA ON OTHERS BEFORE AGREEING TO GUIDELINES ON ANY ONE ISSUE. REASONABLE SOLUTION SEEMED TO BE THAT IT WOULD BE USEFUL TO PUSH FORWARD WITH DEVELOPMENT OF LOOSE SET OF GUIDELINES WHILE AT

SAME TIME BEGINNING SOME OF THE NECESSARY IN-DEPTH STUDIES OF INTERRELATED AREAS. ABRAMOWSKI SUGGESTED THAT RAPID IMPLEMENTATION OF CONSULTATION PROCEDURE ON BASIS OF LOOSE GUIDELINES WOULD YIELD INFORMATION AND EXPERIENCE WHICH COULD SUBSEQUENTLY BE USED TO EXPAND OR IMPROVE BOTH. EVENTUALLY, THIS EXERCISE MIGHT POSSIBLY LEAD TOWARD A FORM OF GATT ON INVESTMENT POLICY ISSUES. US REPS STRONGLY SUPPORTED IDEA OF MOVING FORWARD WITH DEVELOPMENT OF GUIDELINES AND CONSULTATION PROCEDURES AS RAPIDLY AS POSSIBLE.

4. CONSULTATION PROCEDURES.

A. QUESTIONS DISCUSSED INCLUDED WAY IN WHICH CONSULTATION PROCEDURES WOULD BE INITIATED; FOCUS OF CONSULTATIONS, E.G., WHETHER ON A GENERAL TOPICAL BASIS OR ON INDIVIDUAL CASES; AND ALSO WHETHER THEY WOULD BE AIMED AT POLICIES OF INDIVIDUAL COUNTRIES OR RELATED POLICIES ON A SPECIFIC PROBLEM IN A NUMBER OF COUNTRIES.

B. QUESTION OF INITIATION AND COMPOSITION INCLUDED WHETHER GOVERNMENT BODIES ALONE, OR ALSO COMPANIES, TRADE ASSOCIATIONS AND OTHER PRIVATE GROUPS WOULD INITIATE AND PARTICIPATE. ABRAMOWSKI FELT THAT REGARDLESS OF WHO HAD RIGHT TO REQUEST CONSULTATION, SEC GEN SHOULD HAVE RESPONSIBILITY OF CONVENING IT.

C. BERTRAND FELT THAT DIFFERENT ISSUES WOULD CALL FOR DIFFERENT PROCEDURES AND DIFFERENT DEGREES OF FIRMNESS IN GUIDELINES, AS WELL AS CONSULTATION GROUPS OF DIFFERENT COMPOSITION. POSSIBILITY OF EVENTUAL ARBITRATION PROCEDURE ON SOME ISSUES WAS RAISED. IT WAS FELT SOME ISSUES CLEARLY WOULD NOT BE APPROPRIATE FOR ARBITRATION AND MIGHT BE BETTER LEFT TO NEGOTIATIONS BETWEEN COUNTRIES INVOLVED

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D. SECRETARIAT REPS SEEMED AGREED THAT, WHILE BACKGROUND PREPARATION FOR CONSULTATIONS ON A PARTICULAR MATTER COULD BE LEFT TO GROUPS OF EXPERTS, ACTUAL CONSULTATIONS WOULD PROBABLY HAVE TO BE AT LEVEL HIGH ENOUGH TO PERMIT NEGOTIATION OF AN ACCEPTABLE SOLUTION AFTER FINDING THAT A BILATERAL OR MULTILATERAL PROBLEM EXISTED. BERTRAND BELIEVED THAT SOME NON-GOVERNMENT ORGANIZATION SHOULD BE INCLUDED IN CONSULTING PROCEDURES, ESPECIALLY GROUPS SUCH AS TUAC, BIAC AND OTHER ASSOCIATIONS.

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E. ABRAMOWSKI POINTED OUT THERE WERE ALREADY CONSULTATION PROCEDURES IN OECD WHICH HAD NOT BEEN ADEQUATELY USED AND THAT IT WOULD BE NECESSARY TO DEVELOP PROCEDURES IN THE INVESTMENT POLICY AREA WHICH WOULD BE ATTRACTIVE ENOUGH TO ASSURE UTILIZATION. HE ALSO BELIEVED THAT CONSULTING PROCEDURE SHOULD PROBABLY DEAL WITH GENERAL THRUST AND TREND OF NATIONAL INVESTMENT POLICY RATHER THAN SPECIFIC COMPANY-RELATED CASES.

F. POSSIBILITY OF A DIFFERENT STRUCTURE OF CONSULTATIONS WAS ALSO SUGGESTED. THIS WOULD INCLUDE ROUND OF REVIEWS OF NATIONAL INVESTMENT POLICIES, OR OF SOME BROAD ASPECT OF NATIONAL INVESTMENT POLICIES, AS THEY AFFECT FOREIGN COUNTRIES AND TRADE FLOWS. BERTRAND POINTED OUT, HOWEVER, THAT XCSS EXERCISE ON INTERNATIONAL INVESTMENT POLICY MUST BE "SYMMETRICAL," IN THAT ADEQUATE BALANCE MUST BE REACHED BETWEEN THE EVIDENT GOALS OF US RELATING TO TRADE DISTORTION (PARAGRAPH 7C OF REF A) AND THOSE OF SOME OF THE OTHER COUNTRIES IN OECD WHO WANT TO CONCENTRATE ON LIMITED OFFICIAL USE

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GOVERNMENT-TO-FIRM RELATIONSHIPS (PARAS 7A AND 7B
OF REF A).
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